

ONE HUNDRED FOURTEENTH CONGRESS
Congress of the United States
House of Representatives

COMMITTEE ON ENERGY AND COMMERCE

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WASHINGTON, DC 20515-6115

Majority (202) 225-2927
Minority (202) 225-3641

December 22, 2016

The Honorable Gene L. Dodaro
Comptroller General
U.S. Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

Dear Mr. Dodaro:

We are writing to request that the Government Accountability Office (GAO) examine the Department of Energy's (DOE) management of the Strategic Petroleum Reserve (SPR) and U.S. participation in the International Energy Agency. The SPR was established in 1975 and received its last major life extension between 1993 and 2000. Today, more than 70 percent of the SPR's equipment and infrastructure exceeds its serviceable life. In a recent report to Congress, DOE concluded that the SPR's aging infrastructure and shifts in U.S. midstream infrastructure have reduced the SPR's ability to add incremental barrels of oil to the market. The report revealed that the effective distribution capacity of the SPR could be more than 2 million barrels (MMbbl) below the design drawdown rate of 4.4 million barrels per day (MMbbl/d) in certain oil disruption scenarios. These findings suggest that the SPR may have difficulty meeting its energy security mission.¹

The SPR represents the world's largest government-owned stockpile of oil and one of the nation's most valuable energy security assets. U.S. and global energy markets and petroleum product trade flows have changed dramatically since the SPR was established. In past work, GAO has questioned whether the SPR is sized appropriately and risks holding excess crude oil. As a member of the International Energy Agency (IEA,) the U.S. is required to hold 90 days of net petroleum imports, which it does in both public and private stocks. According to IEA, as of August 2016, the U.S. held a total of 378 days of net imports, well in excess of the IEA requirement. In its report to Congress, DOE examined the costs and benefits of various SPR size and distribution scenarios. While the report did not address the 90-day IEA commitment or articulate a clear policy recommendation for the SPR's optimal size, it concluded that benefits of a larger inventory level off above 600 MMbbl.

¹ See Department of Energy. U.S. Strategic Petroleum Reserve Long-Term Strategic Review. (August 2016).

In response to changing market and supply conditions, and to address the building backlog of maintenance requirements for the SPR, Congress required DOE to complete a long-range strategic review of the SPR and authorized an investment of up to \$2 billion as part of an SPR modernization program, \$375,400,000 of which have been appropriated. Congress also authorized a series of drawdowns that could reduce the SPR's inventory from the current level of 695 MMbbl to close to 500 MMbbl over the next 10 years, provided the sales do not limit the ability of the SPR to prevent or reduce the adverse impact of an energy supply shortage.²

Given the significant federal investment in the SPR, and the need for Congress to evaluate whether the SPR should be maintained in its current configuration, we request that GAO undertake an assessment of the SPR and identify options to more efficiently and cost-effectively meet U.S. energy security needs and comply with international obligations. This work may be segmented as appropriate, and performed as a series of engagements. We ask that your examination respond to the following before May 31, 2017:

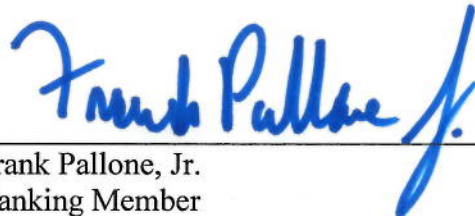
1. The state of the SPR's surface and subsurface infrastructure and its ability to mitigate the impact of an energy supply interruption;
2. DOE's management of the SPR and the quality of DOE's analysis to support decision making regarding the long-term future of the SPR;
3. Cost-effective options to protect the U.S. from energy supply shocks, including whether or not the SPR should be maintained and if so, the optimal configuration, management and operations, including commercialization and privatization of federal assets; and,
4. Cost-effective compliance options to meet U.S. obligations to the IEA, referring, as necessary, to stockholding practices of other member countries.

Thank you for your prompt attention to this request. Please have your staff work with Brandon Mooney of the Majority staff at (202) 225-2927 or Rick Kessler of the Minority staff at (202) 225-3641 on the specifics of the examination.

Sincerely,



Fred Upton
Chairman



Frank Pallone, Jr.
Ranking Member

² See H.R. 1314, the "Bipartisan Budget Act of 2015," 114th Cong. (P.L. 114-74); H.R. 22, the "Fixing America's Surface Transportation Act," 114th Cong., (P.L. 114-94); H.R. 34, the "21st Century Cures Act," 114th Cong. (P.L. 114-255); and, H.R. 2028, the "Further Continuing and Security Assistance Act, 2017," 114th Cong. (P.L. 114-254).